

E-Mail ALPERSRU A/02

**Subj: ENTITLEMENT TO IMMINENT DANGER PAY, COMBAT TAX EXCLUSION,
AND SAVINGS DEPOSIT PROGRAM**

Ref: (a) [E-Mail ALPERSRU A/00](#)
(b) [Coast Guard Pay Manual, COMDTINST M7220.29 \(series\)](#)
(c) [ALCOAST 543/01](#)
(d) [ALCOAST 594/01](#)
(e) [Personnel and Pay Procedures Manual, HRSICINST MI000.2 \(series\)](#)
(f) [Source Data Automation II User Manual, HRSICINST M5231.2 \(series\)](#)
(g) Reenlistment Bonus Programs Administration, COMDTINST 7220.33

Purpose This E-mail ALPERSRU clarifies entitlements to:

- Imminent danger pay (section 1)
- Combat tax exclusion (section 2)
- Savings deposit program (section 3)

**Directives
Affected** Reference (a) is canceled.

SECTION 1 – Imminent Danger Pay

Introduction Imminent Danger Pay is an entitlement to members who meet the special conditions described in Section 4-H of reference (b). This special pay is in addition to any other pay and allowances to which a member may be entitled.

**Qualified Areas
for Imminent
Danger Pay** Areas that qualify for imminent danger pay are listed in section 4-H-3 of reference (b) and additional areas are mentioned in reference (c).
The following areas have recently been added/removed as authorized imminent danger pay areas. The next change to reference (b) will reflect the following:

- **Indonesia.** Effective 31 Oct 01, the total land area of Indonesia is added.
- **Malaysia.** Effective 31 Oct 01, the total land area of Malaysia is added.
- **Philippines.** Effective 31 Oct 01, the total land area of the Philippines is added.

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Qualified Areas for Imminent Danger Pay, continued

- **Peru.** Effective 31 Dec 01, the designation of Peru as an Imminent Danger Pay area is terminated. Effective 1 Jan 02, Peru is designated a Hardship Duty Location for HDP-L purposes at the rate of \$150 a month.

Reference (c) designates the following areas as qualified for Imminent Danger Pay effective 31 October 2001: **Red Sea, Gulf of Aden, Gulf of Oman, Kyrgyzstan, Oman, United Arab Emirates, Uzbekistan** and **Arabian Sea** (portion North of 10 degrees North Latitude and West of 68 degrees East Longitude).

Rules for Imminent Danger Pay

The following rules apply when determining entitlement to Imminent Danger Pay:

- A member who serves on official duty in one of the designated areas for any part of a month is entitled to imminent danger pay for the entire month.
- In those areas where airspace is designated, personnel who fly through the area are eligible for payment if the member is assigned to official temporary duty to the airspace of the combat zone.

Note: The airspace of those areas designated as Combat Zone Tax Exclusion (CZTE) areas in reference (c) is **not** IDP designated.

Reference

Reference (d) prohibits reservists from performing inactive duty for training (IDT) in an imminent danger pay area. Reference (d) also restricts the performance of active duty for training (ADT-AT) in an imminent danger pay area.

Amount of Imminent Danger Pay

The current monthly rate of imminent danger pay is \$150.00.

Procedure for Payment of Imminent Danger Pay

The procedures for certifying entitlement to imminent danger pay are provided on page 7-A-7 of reference (e) and pages 2-A-132 through 2-A-137 of reference (f).

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S E C T I O N 2 – Combat Tax Exclusion

Introduction Certain pay earned by members of the Armed Forces while in a combat zone designated by the President is considered nontaxable income.

**Qualified Areas
for Combat
Tax Exclusion** Section 8-G-2 of reference (b) designates combat zones that qualify for federal income tax exclusion.

The following areas have recently been designated as Combat Zones. The next change to reference (b) will reflect the following:

- Executive Order 13239 designated Afghanistan, Pakistan, Tajikistan, and Jordan (including the airspace above) as Combat Zones effective 19 September 2001.
- Executive Order 13239 designated Kyrgyzstan and Uzbekistan (including the airspace above) as Combat Zones effective 1 October 2001.
- The land area and airspace of Oman and United Arab Emirates and the waters and airspace of the Red Sea, Gulf of Aden, Gulf of Oman, and Arabian Sea North of 10 degrees North Latitude and West of 68 degrees East Longitude are Combat Zone Tax Exclusion (CZTE) areas.

IT IS IMPORTANT TO NOTE THAT THERE ARE ONLY A FEW AREAS ELIGIBLE FOR COMBAT TAX EXCLUSION. MANY AREAS DESIGNATED AS IMMINENT DANGER PAY QUALIFYING AREAS ARE NOT ELIGIBLE FOR COMBAT TAX EXCLUSION.

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Rules for Combat Exclusion Tax

The following rules apply when determining income tax exclusion for duty in a combat zone.

- A member who is present on official duty in a combat zone, no matter how brief, qualifies for combat tax exclusion for that month.
 - When the airspace over a combat zone is included as part of the zone, members who pass over or through the combat zone during the course of a trip between two points, both of which lie outside the zone, are entitled to an exclusion only if the members are assigned to official temporary duty to the airspace of the combat zone or qualify for hostile fire/imminent danger pay as a result of the flight.
 - Members performing military duties in areas outside a designated combat zone in support of military operations in a combat zone, who qualify for imminent danger pay, also qualify for combat tax exclusion.
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Amount of Combat Tax Exclusion

For enlisted members and warrant officers, all taxable military pay items earned by a member during a month while serving in a combat zone are excluded from federal and state taxation.

For officers O-1 and above, the first \$5,382.90 per month of taxable military pay items is excluded from federal taxation.

Note 1: The \$5,382.90 figure increases annually to match the current base pay rate for an E-10.

Note 2: Imminent danger pay (if entitled) is not included in the \$5,382.90 ceiling.

Members entitled to combat tax exclusion will not have any Federal/State income tax withheld from the exempted amount of their pay. Voluntary withholding of this amount is not permitted.

PERSRU Procedures

The procedures for recording entitlement to combat tax exclusion are contained on pages 2-A-138 through 2-A-143 of reference (f).

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**Extension of
filing date for
tax returns**

Members serving in a combat zone are allowed an extension of up to 180 days to file their federal income tax return, as described in Section 8-G-7 of reference (b)

The due date for filing state tax returns is regulated by each state. Members serving in a combat zone should contact their state tax office regarding the postponement of filing state tax returns.

**Wages
Associated with
Leave Earned
While in a
Combat Zone**

Leave earned by a member in a combat tax exclusion zone is not taxed when that leave is used.

Example: If a member serves in a combat tax exclusion zone from 10 March to 20 April 2001, the member earns two months of tax exclusion benefits and 5 days of tax-free leave (provided the member was on active duty the entire month). When the member uses those 5 days of leave, the compensation paid the member while on leave is excludable from taxable gross income.

The following rules apply to tax-free leave:

- For officers O-1 and above, the TOTAL of combat-free wages plus combat-free leave earned during a given month may not exceed \$5,382.90 (without IDP) or \$5,532.90 (with IDP).
- Leave earned in a combat tax exclusion zone is the FIRST leave used after departing the combat tax exclusion zone.

Example: If an individual is in a combat zone from 10 March to 20 April 2001, and takes five days leave during May 2001, the compensation paid the member while on leave is tax-free.

However, if this member takes five days leave during April 2001, the member receives no additional tax advantage for the five days of leave.

Members who have combat leave who do not use such leave prior to separation are entitled to receive the tax benefit when selling leave, as detailed in chapter 10 of reference (b).

Leave earned in a combat tax exclusion zone is the FIRST leave used after departing the combat tax exclusion zone.

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**SRB and
CSB Benefit**

Combat tax exclusion applies to the initial payment, and future installment payments, of a Selective Reenlistment Bonus (SRB) or Career Status Bonus (CSB) if a member executes a reenlistment or extension, or completes 15 years active service while serving in a combat zone.

If possible, it is usually best financially for an SRB-eligible member to reenlist or begin serving under an extension during a month when eligible for combat tax exclusion. For example:

MK3 Jones enlisted in the CG on 8 August 1992. Due to an extension, his/her current expiration of enlistment is 7 October 1998. The MK rating has a Zone A SRB multiple of 2. Since MK3 Jones was aboard his unit while it was underway in the Persian Gulf from 5 April 1998 to 4 June 1998, MK3 Jones is eligible for both Imminent Danger Pay and Combat Tax Exclusion for the months of April, May, and June 1998. Per reference (f), MK3 Jones' Commanding Officer is authorized to affect early discharge and reenlist MK3 Jones 3 months prior to his 6th anniversary date (8 August 1998) for the purpose of qualifying for a Zone A SRB. If a date selected to effect the early discharge and reenlistment is in June 1998, MK3 Jones' SRB payments will be reduced by the portion of unserved service obligation (up through 7 October 1998), but it is not subject to Federal (27.5%) and state income tax withholding. Please review reference (g) carefully to ensure all criteria are being met.

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SECTION 3 – Savings Deposit Program

Introduction Members assigned to certain qualifying areas are authorized to make deposits of up to \$10,000 in a Savings Deposit Program and earn 10 percent interest on their deposit(s).

Qualified Areas for Savings Deposit Program Section 6-E-2 of reference (b) designates qualifying areas under the Savings Deposit Program.

The following areas have recently been designated as qualifying areas. The next change to reference (b) will reflect the following:

- The land area of Afghanistan, Kazakstan, Kyrgyzstan, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan.
 - The waters of the Red Sea, Gulf of Aden, and Gulf of Oman.
 - The Arabian Sea north of 10 degrees north latitude and west of 68 degrees east longitude.
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Procedure for Savings Deposit Program The procedures for the Savings Deposit Program are contained on page 7-C-2 of reference (e) and page 20-C-8 of reference (f).

Rules for Savings Deposit Program Only members permanently assigned to a qualifying area, or assigned on temporary duty or deployed on a ship for more than 30 days in a qualifying area, are eligible for the Savings Deposit Program. A member's entitlement to participate in the Savings Deposit Program terminates 90 days after the member's departure from the qualifying area.

Questions Questions may be directed to the HRSIC Customer Service Team at (785) 339-3540 (Option 2).

Released by


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Director